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**HELIX NETWORK OF EDUCATIONAL CHOICE**  
**D/B/A MENTORSHIP ACADEMY**  
**BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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A Professional Accounting Corporation

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**HELIX NETWORK OF EDUCATIONAL CHOICE**  
**D/B/A MENTORSHIP ACADEMY**  
**BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors for  
Helix Network of Educational Choices D/B/A Mentorship Academy  
Baton Rouge, Louisiana:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Helix Network of Educational Choices D/B/A Mentorship Academy (Mentorship Academy or the Academy) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mentorship Academy as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 18, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Disclaimer of Opinion on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedules on pages 12 and 13, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of Mentorship Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mentorship Academy's internal control over financial reporting and compliance.

*Postlethwaite + Nettewille*

Baton Rouge, Louisiana  
November 25, 2014

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

**ASSETS**

**CURRENT ASSETS:**

Cash	\$ 454,417
Accounts Receivable:	
Federal Programs	10,116
State Programs	278,330
Other	1,121
Inventory	27,778
Prepaid Expenses and other	52,006
Total current assets	<u>823,768</u>

**PROPERTY AND EQUIPMENT (NET):**

869,940

Total assets

\$ 1,693,708

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable and accrued expenses	\$ 568,705
Line of credit	100,000
Notes payable - short term portion	120,625
Total current liabilities	<u>789,330</u>

**LONG TERM LIABILITIES:**

Notes payable	<u>387,695</u>
Total long-term liabilities	<u>387,695</u>

**NET ASSETS:**

Temporarily Restricted	50,016
Unrestricted	<u>466,667</u>
Total net assets	<u>516,683</u>

Total liabilities and net assets

\$ 1,693,708

The accompanying notes are an integral part of these financial statements.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2014**

**Revenue, Grants and Other Support**

Minimum Foundation Program (MFP) and local support	\$ 5,321,503
Federal Grants	1,099,453
Commodities Received From Federal Sources	11,557
Food Services	12,936
Other Revenue From Local Sources	33,494
Other Income	101,921
	<hr/>
Total unrestricted revenues and support	6,580,864

**Expenses:**

Program services:

Instructional - Regular Education Programs	1,872,746
Instructional - Special Education Programs	114,238
Instructional - Other	99,837
Pupil Support Services	219,120
Instructional Staff Support Services	117,483
School Administration	632,571
Operation and Maintenance of Plant Services	1,313,201
Student Transportation	452,896
Food Services	1,064,885
Depreciation	134,047
Management and general	
General Administration	22,053
Business Services	517,748
Central Services	66,991
	<hr/>

Total expenses	6,627,816
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Change in net assets	(46,952)
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**NET ASSETS AT BEGINNING OF THE YEAR**

563,635

**NET ASSETS AT END OF THE YEAR**

\$ 516,683

The accompanying notes are an integral part of these financial statements.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (46,952)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	134,047
Decrease (increase) in:	
Federal program receivables	120,143
State program receivables	24,306
Other receivables	16,566
Prepaid expenses and other	(34,487)
Inventory	(23,336)
Increase (decrease) in:	
Accounts payable and accrued expenses	154,788
Net cash provided by operating activities	<u>345,075</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of fixed assets	<u>(611,685)</u>
Net cash used in investing activities	<u>(611,685)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Payments on notes payable	(59,928)
Issuance of notes payable	484,000
Line of credit (net)	<u>100,000</u>
Net cash provided by financing activities	<u>524,072</u>

Net increase in cash	257,462
Beginning cash balance	<u>196,955</u>
Ending cash balance	<u><u>\$ 454,417</u></u>

**Supplemental disclosure of cash flow information**

Interest paid	<u><u>8,460</u></u>
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The accompanying notes are an integral part of these financial statements.



**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Mentorship Academy (the Academy) operates two independent secondary schools under two charters in East Baton Rouge Parish that currently expire on June 30, 2015. The high schools had combined enrollment of approximately 478 students for the 2013-2014 school year. Upon expiration, the charter can be renewed for successive periods of ten years, subject to the review by the East Baton Rouge Parish School System of the Academy's operations and compliance with requirements set forth in the charter agreement. The Academy is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

**Financial Statement Presentation**

The Academy follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Academy is required to present a statement of cash flows.

The Academy also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions, for which the restriction is met in the same year, are classified as unrestricted.

**Support**

The Academy receives grants from the private and public sectors. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education. Additionally, the Academy receives Minimum Foundation Program (MFP) funding from East Baton Rouge Parish School System according to the per student funding formula set forth by the Department of Education and an apportionment of local taxes. Substantially all state grants and support are unrestricted as to use. A substantial portion of federal grants are expenditure driven and as such is classified as unrestricted in the Statement of Activities and Changes in Net Assets. The Academy also receives federal support for food service that is based on the number of meals served to students, which is considered to be grantor restricted. All grantor-restricted support is reported as an increase in temporarily restricted net assets in the statement of activities unless expended in the current year.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Contributions**

The Academy accounts for contributions in accordance with the standards of the Financial Accounting Standards Board. In accordance with these standards, contributions received are recorded as increasing unrestricted, temporarily, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At June 30, 2014, the balances in the cash accounts exceeded the amount insured by the Federal Deposit Insurance Corporation by approximately \$260,000. Management, however, believes the credit risk associated with these deposits is minimal.

**Accounts Receivable**

No amounts for allowance for uncollectable accounts have been established as the Academy expects to collect the balances in full.

**Use of Estimates**

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Advertising**

The Academy expenses advertising costs as they are incurred.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventory**

The Academy's inventory is stated at the lower of cost or market, and cost is determined using the first-in, first-out method (FIFO).

**Property and Equipment**

The Academy has adopted the practice of capitalizing all expenditures for depreciable assets where the unit costs exceed \$500. Property and equipment is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives ranging from 3 to 30 years. Maintenance and repairs are charged to expense when incurred. Leasehold improvements are amortized over 5 to 30 years.

**Tax Exempt Status**

The Academy is a nonprofit organization exempt from the income taxes and no provision has been made for federal and state income taxes.

If the Academy would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Academy had no material unrelated business income for the fiscal years ended June 30, 2014.

In management's judgment, the Academy does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitations for the examination of the Academy's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessment are the years ending on or after June 30, 2011.

**2. ACCOUNTS RECEIVABLE**

Accounts receivable due from federal programs at June 30, 2014 represent amounts due from the Louisiana Department of Education for federal pass through grants under the National School Lunch Program and amounts due from the East Baton Rouge Parish School System for federal pass through grants under Title I Programs. Accounts receivable due from state programs at June 30, 2014 represents amounts due from the East Baton Rouge Parish School System for the Minimum Foundation Program and local tax apportionment.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**3. PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at June 30, 2014:

Buildings and Leasehold Improvements	\$ 607,762
Furniture & Fixtures	363,376
Equipment and software	<u>423,986</u>
Total Cost	\$1,395,124
Less: Accumulated Depreciation	<u>(525,184)</u>
Total Property and Equipment	<u>\$ 869,940</u>

Depreciation expense for the year ending June 30, 2014 was \$134,047.

**4. CONCENTRATION OF SUPPORT**

The Academy received approximately 81% of its support from the MFP and 17% of its support from federal grants passed through the Louisiana Department of Education and the East Baton Rouge Parish School Board.

**5. OPERATING LEASE**

The Academy leases its facilities from a private entity under a sub-lease agreement dated February 2011. The lease has a term of 20 years and requires a monthly payment of approximately \$58,000 adjusted annually based on the consumer price index. The lease expense for the year ending June 30, 2014 is \$702,533.

The future minimum lease payments are as follows:

June 30, 2015	\$ 717,076
2016	731,418
2017	746,046
2018	760,967
2019	776,186
Thereafter	<u>10,618,488</u>
	<u>\$ 14,350,181</u>

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**6. FEDERAL GRANTS**

Federal assistance received from the U.S. Department of Agriculture passed through the Louisiana Department of Education totaled \$997,962. Federal assistance received from the U.S. Department of Education for the Title I program passed through the East Baton Rouge Parish School System totaled \$101,491. Federal assistance received from the U.S. Department of Agriculture passed through the Louisiana Department of Agriculture and Forestry totaled \$11,557. This federal assistance is provided through grant agreements which are subject to audits to be conducted in accordance with OMB Circular A-133 and to examinations conducted by inspectors general of each respective federal agency. The Academy could be required to return amounts received under these grant agreements as a result of these audits.

**7. NOTES PAYABLE**

Installment Notes

On June 29, 2012, the Academy entered into a vehicle loan agreement with a financial institution. The loan amount was \$28,000 with an interest rate of 5.0% and is collateralized by the vehicle purchased. Payments of \$840 are due each month maturing on July 1, 2015. The outstanding balance of this loan at June 30, 2014 was \$10,608.

On August 1, 2011, the Academy entered into a loan agreement with a creditor for the purpose of funding improvements to the kitchen. The loan amount was \$96,400 with an annual interest rate of 0% and is uncollateralized. Ten monthly payments of \$2,142 are due each year maturing June 30, 2016. The outstanding balance of this loan at June 30, 2014 was \$42,844.

On February 3, 2014, the Academy entered into a loan agreement with a creditor for the purpose of funding HVAC improvements. The loan amount was \$484,000 with an annual interest rate of 4.55% and is collateralized with the inventory, accounts receivable, equipment, general intangibles, fixtures and the associated bank account held at the creditor's institution. Fifty nine payments of \$9,044.95 are due maturing February 1, 2019. The outstanding balance of this loan at June 30, 2014 was \$454,868.

The installment notes payable are scheduled to mature as follows:

<u>Years Ending</u> <u>June 30<sup>th</sup></u>	
2015	\$ 120,625
2016	115,857
2017	98,050
2018	102,670
2019	71,118
	<u>\$ 508,320</u>

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**

**7. NOTES PAYABLE** (continued)

Line of Credit

The Academy entered into a line of credit agreement with a financial institution dated July 12, 2013 that matured July 12, 2014 that allows for advances up to \$350,000. Interest accrues as the advances at a variable rate of 2.7% above the bank's interest rate, but not less than 6%. The unpaid principal balance of the line of credit at June 30, 2014 was \$100,000. The line of credit was renewed subsequent to year-end.

**8. RETIREMENT PLAN**

The Academy sponsors an Internal Revenue Code Section 403(b) Plan which covers substantially all employees of the Academy immediately upon employment. Employees may contribute up to the lesser of \$17,500 or 100% of includable compensation. The Academy contributes up to 3% of each participant's compensation. Total employer contributions to the plan were approximately \$7,303 for the year ended June 30, 2014.

**9. CONTINGENT LIABILITIES**

The Academy may from time-to-time be subject to claims and liabilities in the normal course of business. A general liability policy has been purchased to cover the costs of such claims. No such claims are outstanding as of June 30, 2014.

**10. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2014 are related to school food grant activities of prior fiscal years that have not been supported by documentation that expenses were incurred to release the grant restrictions.

**11. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 25, 2014, and determined that no events occurred that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

**SUPPLEMENTAL INFORMATION**

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**COMBINING SCHEDULE OF FINANCIAL POSITION**  
**JUNE 30, 2014**  
**(UNAUDITED)**

**ASSETS**

	Academy of Digital Arts	Academy of Math and Science	Helix Food Service	Combined
<b><u>CURRENT ASSETS:</u></b>				
Cash	\$ 177,570	\$ 148,932	\$ 127,915	\$ 454,417
Accounts Receivable:				
Federal Programs	-	-	10,116	10,116
State Programs	154,607	123,723	-	278,330
Other	1,121	-	-	1,121
Inventory	15,556	12,222	-	27,778
Prepaid Expenses and other	25,766	26,240	-	52,006
Total current assets	<u>374,620</u>	<u>311,117</u>	<u>138,031</u>	<u>823,768</u>
 <b><u>PROPERTY AND EQUIPMENT (NET):</u></b>	 434,770	 435,170	 -	 869,940
 Total assets	 <u>\$ 809,390</u>	 <u>\$ 746,287</u>	 <u>\$ 138,031</u>	 <u>\$1,693,708</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>				
Accounts payable and accrued expenses	\$ 248,458	\$ 232,232	\$ 88,015	\$ 568,705
Line of credit	50,000	50,000	-	100,000
Short-term portion of loan	60,312	60,313	-	120,625
Total current liabilities	<u>358,770</u>	<u>342,545</u>	<u>88,015</u>	<u>789,330</u>
 <b><u>LONG TERM LIABILITIES:</u></b>				
Notes payable	193,848	193,847	-	387,695
Total long-term liabilities	<u>193,848</u>	<u>193,847</u>	<u>-</u>	<u>387,695</u>
 <b><u>NET ASSETS:</u></b>				
Temporarily Restricted	-	-	50,016	50,016
Unrestricted	256,772	209,895	-	466,667
 Total net assets	 <u>256,772</u>	 <u>209,895</u>	 <u>50,016</u>	 <u>516,683</u>
 Total liabilities and net assets	 <u>\$ 809,390</u>	 <u>\$ 746,287</u>	 <u>\$ 138,031</u>	 <u>\$1,693,708</u>

See independent auditors' report



**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**d/b/a MENTORSHIP ACADEMY**  
**COMBINING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2014**  
**(UNAUDITED)**

	<b><u>Academy of Digital Arts</u></b>	<b><u>Academy of Math and Science</u></b>	<b><u>Helix Food Service</u></b>	<b><u>Combined</u></b>
<b>Revenue, Grants and Other Support</b>				
Minimum Foundation Program and local taxes	\$ 2,781,817	\$ 2,539,686	\$ -	\$ 5,321,503
Federal Grants	155,526	124,628	819,299	1,099,453
Commodities Received From Federal Sources	6,073	5,484	-	11,557
Food Services	6,441	6,495	-	12,936
Other Revenue From Local Sources	19,338	14,156	-	33,494
Other Income	49,432	52,489	-	101,921
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and support	3,018,627	2,742,938	819,299	6,580,864
<b>Expenses:</b>				
Program services:				
Instructional - Regular Education Programs	952,899	919,847	-	1,872,746
Instructional - Special Education Programs	57,277	56,961	-	114,238
Instructional - Other	5,215	94,622	-	99,837
Pupil Support Services	116,207	102,913	-	219,120
Instructional Staff Support Services	66,141	51,342	-	117,483
School Administration	323,807	308,764	-	632,571
Operation and Maintenance of Plant Services	729,453	583,748	-	1,313,201
Student Transportation	252,062	200,834	-	452,896
Food Services	134,245	111,341	819,299	1,064,885
Depreciation	69,687	64,360	-	134,047
Management and general:				-
General Administration	12,350	9,703	-	22,053
Business Services	293,145	224,603	-	517,748
Central Services	34,285	32,706	-	66,991
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	3,046,773	2,761,744	819,299	6,627,816
Change in net assets	(28,146)	(18,806)	-	(46,952)
<b><u>NET ASSETS AT BEGINNING OF THE YEAR</u></b>	<hr/>	<hr/>	<hr/>	<hr/>
	284,918	228,701	50,016	563,635
<b><u>NET ASSETS AT END OF THE YEAR</u></b>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 256,772	\$ 209,895	\$ 50,016	\$ 516,683

See independent auditors' report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors for  
Helix Network of Educational Choices D/B/A Mentorship Academy  
Baton Rouge, Louisiana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Helix Network of Educational Choices D/B/A Mentorship Academy (Mentorship Academy or the Academy) (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite + Natterville*

Baton Rouge, Louisiana  
November 25, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors for  
Helix Network of Educational Choices D/B/A Mentorship Academy  
Baton Rouge, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited Helix Network of Educational Choices D/B/A Mentorship Academy's (Mentorship Academy's or the Academy's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2014. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Academy's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs and item 2014-001. Our opinion on the major federal program is not modified with respect to this matter.

The Academy's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002, that we consider to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Postlethwaite + Netterville*

Baton Rouge, Louisiana  
November 25, 2014

**Helix Network of Educational Choice d/b/a Mentorship Academy**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Amount Expended
<b>United States Department of Agriculture</b>		
<i>Passed through the Louisiana Department of Education</i>		
School Breakfast Program	10.553	\$ 210,786
National School Lunch Program	10.555	787,176
<i>Passed through the Louisiana Department of Agriculture And Forestry</i>		
Food Distribution	10.555	<u>11,557</u>
Total United States Department of Agriculture		<u>1,009,519</u>
<b>United States Department of Education</b>		
<i>Passed through the East Baton Rouge Parish School Board</i>		
Title I Grants to Local Educational Agencies	84.010	<u>101,491</u>
Total United States Department of Education		<u>101,491</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 1,111,010</u></u>

See accompanying notes to this schedule.

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mentorship Academy and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE B – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The value of commodities received and used during the period ended June 30, 2014 totaled \$11,557.

**NOTE C – SUB-RECIPIENTS**

Federal awards passed through the Academy and paid to sub-recipients are as follows:

Unites States Department of Agriculture passed  
Through the Louisiana Department of Educations

10.553-10.555	Child Nutrition Cluster	\$819,299
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**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results

*Financial Statements*

Type of auditor's report issued: *Unmodified*

Internal Control over Financial Reporting:

- Material weakness (es) identified? \_\_\_\_\_ yes        x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes        x   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes        x   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   x   yes      \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

  x   yes      \_\_\_\_\_ no

Identification of major programs:

CFDA Numbers  
10.553-103.555

Name of Federal Program or Cluster  
Child Nutrition Cluster

The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.

The Mentorship Academy qualified to be a low-risk auditee.

**B. Findings – Financial Statement Audit**

**None**



**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**C. Findings and Questioned Costs – Major Federal Award Programs**

**2014-001 Eligibility**

**Department of Agriculture**

**10.555 School Lunch Program**

**Criteria:** Children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or at reduced price. Children who have been determined ineligible for free or reduced price school meals pay the full price, set by the School Food Authorities (SFA), for their meals. A child's eligibility for free or reduced price meals under a Child Nutrition program may be established by the submission of an annual application or statement which furnishes such information as family income and family size.

**Condition:** Within our sample-testing of participating children for compliance with eligibility requirements (68 sampled of a population of 1950), two children were found to be either ineligible for the program or evidence was not provided to support eligibility. For one of these students, the application was not located. Another student was approved for reduced meals based on a 5 member household, but the application reflected 4 members with a family income that does not qualify for the reduced meals.

**Effect:** Mentorship Academy is not in compliance with the eligibility requirements with respect to the participating students that were selected for testing.

**Cause:** There was a lack of documentation and improper analysis of the income and family size. The controls over the processing of applications may need improvement to enable internal detection of such errors and omissions.

**Questioned Costs:** \$882

The questioned cost is estimated base on an average number of school days in the year (180) multiplied by the federal reimbursement rates for free and reduced.

**Recommendation:** We recommend that Mentorship emphasize adequate documentation and proper analyses of eligibility requirements. Additionally, a process should be established to internally detect and prevent errors and omissions.

**Management's Response and Planned Corrective Action:**

*Mentorship agrees with the recommendation and will implement the recommendation immediately.*

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**2014-002 Sub-recipient Monitoring**

**Department of Agriculture**

**10.555 School Lunch Program**

**Criteria:** OMB Circular A-133 and the A-102 Common Rule indicate that a pass-through entity is responsible for monitoring the activities of its sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

The pass-through agency is also responsible for assuring that sub-recipients expending \$500,000 or more in Federal awards during the sub-recipient's fiscal year as required under OMB Circular A-133 have met the audit requirements. The pass-through agency is also responsible for ensuring the required audits are completed within 9 months of the end of the sub-recipient's audit period; issuing a management decision on audit findings within 6 months of receipt of the sub-recipient's audit report; and ensuring that the sub-recipient takes timely and appropriate corrective action on all audit findings.

**Condition:** The Academy is the School Food Authority (SFA) in which the program funds are passed through to participating schools. The Academy was deficient in its role of monitoring sub recipients for the following reasons:

- The Academy did not verify that the participating schools (sub-recipients) obtained audits in accordance with the criteria above.
- The Academy did not notify the sub-recipients that the amounts provided were federal awards.
- The accounting of use of program revenues was not received on a monthly basis in accordance with section 4, part b of the participating school servicing agreement.
- The Academy did not perform any on-site visits or monitoring in accordance with sections M and Q of the participating school servicing agreement.

**Effect:** The Academy's process for sub-recipient monitoring may be insufficient for detection of noncompliance on the part of its sub-recipients.

**Cause:** The Academy was not aware of the sub-recipient monitoring requirements.

**Recommendation:** We recommend that the Academy ensure that the sub-recipients are obtaining audits in accordance with the requirements noted above.

**Management's Response and Planned Corrective Action:**

*Mentorship agrees with the recommendation and will implement the recommendation immediately.*

**HELIX NETWORK OF EDUCATIONAL CHOICES**  
**D/B/A MENTORSHIP ACADEMY**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**Findings – Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs**

None